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China, Peoples Republic of

Grain and Feed

Corn Trade Update

2005

Approved by:

Ralph Gifford
U.S. Embassy Beijing, Office of Agricultural Affairs

Prepared by:

Ralph Gifford and Jiang Junyang

Report Highlights:

Post has raised its estimate of China's MY04/05 corn exports to 6 mmt from the previous estimate of 4.5 mmt, as a result of more government support and favorable freight rates to nearby Asian markets. In February, the National Development and Reform Commission issued 3 mmt of corn export quota: trade sources believe even more than 3 mmt already has been contracted and is expected to be shipped by the end of June. It is likely that an additional quota for the second half of the calendar year will be issued later, as happened in 2004. Trade sources estimate the total corn export quota for 2005 will be around 5 mmt. Because of near record corn output in 2004, the central and provincial governments are under pressure to prevent corn prices from falling, therefore, are increasing support for corn exports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Beijing [CH1]
[CH]

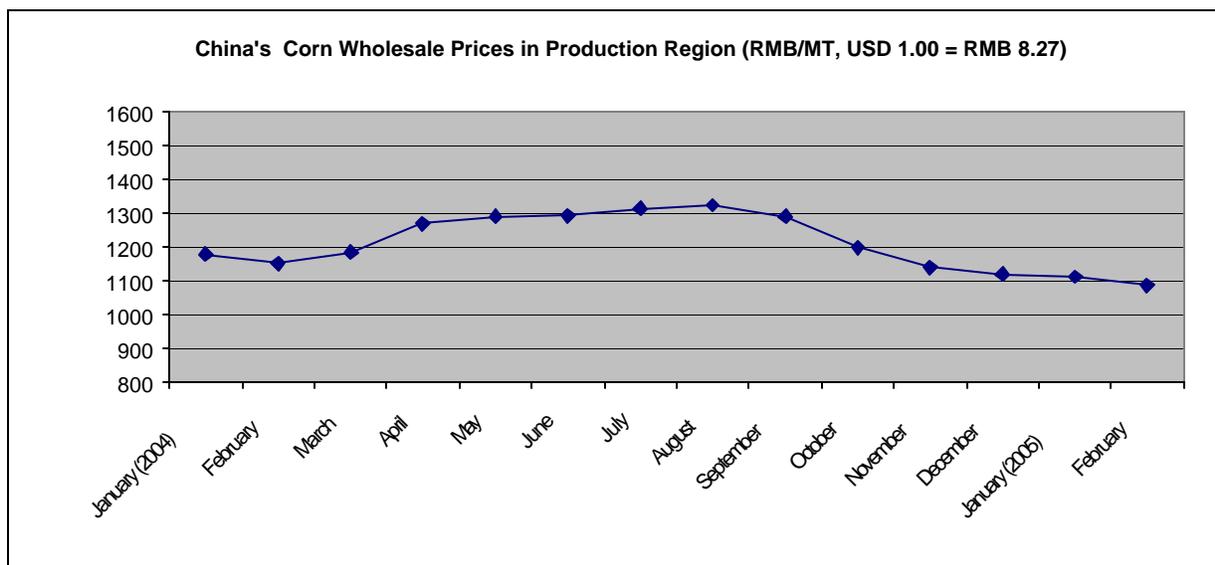
According to trade sources, the National Development & Reform Commission (NDRC) in February issued 3 mmt of corn export quota. This is the first that corn export quota this year. The quota is distributed among six provinces and two state grain traders including Jilin, Heilongjiang, Liaoning, Inner Mongolia, Hebei and Shanxi provinces, as well as the Jilin Grain Corp. and COFCO (China National Cereals, Oils & Foodstuffs Corp.).

Corn Export Quota Allocation for January-June, 2005 (In 1,000 MT)								
Total	Jilin	HeilongJiang	InnerMongolia	Liaoning	Hebei	Shanxi	COFCO	Jilin Grain
3000	1500	350	260	180	50	60	300	300
From trade sources								

The Chinese government controls corn exports through a quota licensing system. Based on its evaluation of grain supply and demand, NDRC decides the timing and size of the quota. For instance, in 2004 NDRC issued 1.4 mmt of corn export quota in the first half of the year and then 3 mmt more in the second half. Actual exports totaled 2.3 mmt in 2004. The unused quota for CY2004 still could be valid if cargoes are shipped by end of March 2005, according to trade sources.

In MY04/05, China exported 921,000 mt of corn through January, according to Customs data. Trade sources estimate that China's corn exports in February would be the same level as in January, or about half a million tons.

Following near record corn production in 2004, prices in producing regions have drifted downward since the harvest. Both central and provincial governments are under pressure to offer more support on corn exports to prevent the price from declining further.



Source: China National Grain & Oil Information Center

Corn exports are entitled to a rebate of the 13 percent Value-Added Tax (VAT). Rather than a contract price, the rebate is calculated from a fixed base price. For 2005, the base price

has been increased from 860RMB/ton to 1100RMB/ton, raising the VAT "rebate" from 112 to 143 RMB/ton. In addition to increasing the rebate on corn exports, some provincial governments reportedly also offer incentives to export to reduce corn stock levels and lower provincial storage costs. Except for favorable rail cargo rates, which have been acknowledged by the government, other support is very difficult to quantify.

Following its accession to the WTO, China stated that it did not and would not subsidize exports in violation of WTO rules. Many analysts, however, believe that through VAT rebates and other schemes, Chinese corn exports are subsidized.

Other than a few thousand tons of border trade, China does not import any corn. Following is an estimate on corn import costs calculated by a trade source. As it shows, the cost for imported U.S. corn still exceeds domestic corn prices.

China's Corn Import Cost Calculation (\$1=RMB8.2765)		
	Prices in RMB/ton	Prices in \$/ton
FOB at the U.S. Gulf	819.85	\$84.45/MT for March shipment
1 CBOT Settlement Price	689.91	March 14 Quote, \$2.145/Bu
2 Basis	129.94	\$15.70/MT
CIF	1382.72	\$167.06, pre-tax cost
1 Ocean Freight Rate	550.47	\$66.60/ton
2 Insurance	12.4	\$1.50/ton
Tariffs and VAT	193.58	\$23.38
1 Customs Duty	13.83	1%
2 VAT	179.75	13%
Miscellaneous Costs	120.87	\$14.6%
1 Bank Service Fee	2.07	0.15% of pre-tax cost
2 Charges by the Port	45	
3 Commission Fee	10	
4 Customs Declaration Fee	1	
5 Commodity Inspection Fee	3.45	0.25% of pre-tax cost
6 Phytosanitary Inspection Fee	6.09	0.45% of pre-tax cost
7 Insurance	6.77	0.5% of pre-tax cost
8 Packaging Fee	25	
9 Losses	4.14	0.3% of pre-tax cost
10 Interests Payment	17.35	based on pre-tax cost, three-month interest rate of 0.4425%
Grand total cost	1,697.17	\$205.05/MT
Source: Jilin Grain Group http://www.jlol.net.cn		

China: Corn Exports by Month Oct.-Jan. MY04/05 (in 1,000 MT)				
Oct 2004	Nov 2004	Dec 2004	Jan 2005	Total
49	43	343	485	921
China Customs, HS Codes: 100590, 100510				

China: Corn Exports by Destination MY04/05 (in 1,000 MT)					
	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Total
World	49	43	344	485	921
Korea, South	12	0	243	357	612
Malaysia	21	14	58	80	173
Japan	12	26	37	42	116
Hong Kong	1	2	4	2	9
Korea, North	3	2	1	5	10

PS&D Table

Country	China, Peoples Republic of						
Commodity	Corn				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10-2003		10-2004		10-2005	MM/YYYY
Area Harvested	24068	24068	24500	24500	0	25300	(1000 HA)
Beginning Stocks	64973	64973	43852	48752	34952	45852	(1000 MT)
Production	115830	115830	128000	130000	0	122000	(1000 MT)
TOTAL Mkt. Yr. Imports	2	2	100	100	0	1000	(1000 MT)
Oct-Sep Imports	2	2	100	100	0	1000	(1000 MT)
Oct-Sep Import U.S.	1	1	0	0	0	500	(1000 MT)
TOTAL SUPPLY	180805	180805	171952	178852	34952	168852	(1000 MT)
TOTAL Mkt. Yr. Exports	7553	7553	4000	6000	0	3000	(1000 MT)
Oct-Sep Exports	7553	7553	4000	4500	0	3000	(1000 MT)
Feed Dom. Consumption	98000	96500	100000	98000	0	99500	(1000 MT)
TOTAL Dom. Consumption	129400	124500	133000	127000	0	129500	(1000 MT)
Ending Stocks	43852	48752	34952	45852	0	36352	(1000 MT)
TOTAL DISTRIBUTION	180805	180805	171952	178852	0	168852	(1000 MT)

Average corn wholesale price in production region and consuming region

China: Average Corn Wholesale Prices		
(Renminbi Per Metric Ton, USD 1.00 = RMB 8.27)		
	Producing Region/1	Consuming Region/2
January (2004)	1,178	1,355
February	1,153	1,318
March	1,185	1,355
April	1,270	1,415
May	1,290	1,408
June	1,293	1,413
July	1,315	1,440
August	1,325	1,460
September	1,290	1,435
October	1,200	1,385
November	1,140	1,305
December	1,120	1,300
January (2005)	1,113	1,275
February	1,088	1,243
/1 Heilongjiang, Jilin, Shandong, Henan		
/2 Tianjin, Fujian, Jiangxi, Hubei		
Source: China National Grain and Oils Information Center		